

Message Text

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PAGE 01 GENEVA 06868 01 OF 04 051823Z
ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 IO-13 AF-10 ARA-10 EA-10
EUR-12 NEA-11 JUSE-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 OIC-02 /169 W

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P 051739Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9265
INFO AMEMBASSY BERN

LIMITED OFFICIAL USE SECTION 01 OF 04 GENEVA 06868

USMTN

ACTION STR
PASS AGRICULTURE
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: US-SWISS AGRICULTURAL NEGOTIATIONS

REF: STATE 75534

1. SUMMARY. US AND SWITZERLAND HELD BILATERALS APRIL 19 AND 24 TO EXAMINE REQUESTS AND OFFERS ADDRESSED TO EACH OTHER ON AGRICULTURAL PRODUCTS. SWITZERLAND INDICATED THAT OF ITS REQUESTS TO THE US, ONLY THE QUESTION OF COUNTERVAILING DUTIES ON CHEESE IS OF REAL CONCERN TO SWITZERLAND. ON THE OFFER SIDE, SWITZERLAND EXPRESSED DOUBT THAT ANY FURTHER OFFERS WOULD BE POSSIBLE GIVEN THE CURRENT "AGITATED" STATE OF SWISS AGRICULTURE AND LIMITED OFFICIAL USE

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PAGE 02 GENEVA 06868 01 OF 04 051823Z

ITS OVERALL SOCIAL AND POLITICAL OBJECTIVES. DURING DISCUSSION OF SPECIFIC U.S. REQUESTS, HOWEVER, THE SWISS ACKNOWLEDGED RELUCTANTLY THAT THE DOOR WAS NOT CLOSED TO ADDITIONAL OFFERS. U.S. AND SWITZERLAND DISCUSSED AT LENGTH THE U.S. REQUESTS AND THE SWISS OFFER CONCERNING GRAINS. SWITZERLAND HELD THAT THE U.S. PROPOSAL WOULD NOT BE COMPATIBLE WITH SWISS DOMESTIC POLICY AND

ARGUED THAT SWITZERLAND'S OFFER TO ASSURE A CERTAIN PROPORTION OF ITS DOMESTIC MARKET FOR IMPORTS WAS A MORE MEANINGFUL CONCESSION. END SUMMARY.

2. U.S. AND SWITZERLAND HELD BILATERALS APRIL 19 AND 24 TO DISCUSS GENERAL AGRICULTURAL ISSUES AND REQUESTS AND OFFERS. SWISS DEL INCLUDED AMB. DUNKEL, EBERHART, BESSON, ET AL. U.S. DEL LED BY BALE INCLUDED KOENIG, DRAZEK AND WALTERS (AMEMBASSY BERN). A MAJOR PORTION OF THE INITIAL MEETING (IN WHICH SWISS AMB DUNKEL AND KOENIG PARTICIPATED) WAS DEVOTED TO A DISCUSSION OF CERTAIN MULTILATERAL ISSUES - IN PARTICULAR, GRAINS, DAIRY PRODUCTS, AND THE RELATIONSHIP OF VARIOUS CODES TO AGRICULTURE. DUNKEL STATED THAT SWISS CONTRIBUTION TO AGRICULTURAL MTN WOULD TAKE THE FORM OF "GUARANTEES" THAT (1) SWITZERLAND WILL NOT ENTER WORLD MARKET AS A NEW EXPORTER OF ANY AGRICULTURAL PRODUCT, AND (2) THAT SWITZERLAND WILL CONTINUE TO PROVIDE A SECURE MARKET FOR AGRICULTURAL EXPORTERS. ACCORDING TO DUNKEL, SWITZERLAND'S CONTRIBUTION COULD BE SUMMARIZED AS A COMMITMENT NOT TO INCREASE AGRICULTURAL PRODUCTION.

3. IN THE GRAINS SECTOR, THIS WOULD MEAN A COMMITMENT TO MAINTAIN A CERTAIN SHARE OF THE DOMESTIC MARKET FOR IMPORTS. TO MAKE THIS POLITICALLY FEASIBLE, HOWEVER, SWITZERLAND WOULD REQUIRE SUPPLY COMMITMENTS BY EXPORTERS LIMITED OFFICIAL USE

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PAGE 03 GENEVA 06868 01 OF 04 051823Z

IN TIMES OF SHORTAGE, PREFERABLY WITH MAXIMUM PRICE GUARANTEES. HE HOPED THAT THE IWC WOULD RESULT IN SUCH AN ASSURANCE (ALTHOUGH HE EXPRESSED PERSONAL OPINION THAT NO COUNTRY REALLY FEELS A WHEAT AGREEMENT IS VITAL AT THIS TIME.) DUNKEL SAID THAT WITHIN THE FRAMEWORK OF THE IWA SWITZERLAND HAS ALSO OFFERED TO HOLD STOCKS, ON TOP OF EXISTING NATIONAL SECURITY STOCKS, IN ORDER TO HELP STABILIZE THE WORLD GRAIN MARKET. HE ALSO EXPLAINED THAT THIS OFFER WOULD APPLY TO COARSE GRAINS AND FEEDS AS A GROUP; HOWEVER, SWITZERLAND WOULD NOT BE WILLING TO GUARANTEE MARKET SHARES FOR IMPORTS OF INDIVIDUAL COARSE GRAINS OR FEEDS. THE SWISS DEL ASSERTED THAT THE U.S. REQUEST ON COARSE GRAINS WOULD NOT ONLY DISRUPT SWITZERLAND'S DOMESTIC GRAIN SYSTEM BUT WOULD ALSO ADVERSELY EFFECT THEIR SYSTEMS FOR VARIOUS ANIMAL PRODUCTS WHERE SELF-SUFFICIENCY LEVELS ARE TIGHTLY CONTROLLED. U.S. DEL STRESSED IMPORTANCE OF ALL COUNTRIES SHARING BURDEN DURING SURPLUS SITUATIONS. DUNKEL REPLIED THAT SURPLUS SITUATIONS WERE NOT CAUSED BY SWITZERLAND AND, GIVEN THIS, THE COMMITMENT TO IMPORT A CERTAIN PERCENTAGE OF CONSUMPTION WAS AS MUCH AS THEY COULD DO.

4. U.S. DEL ASKED FOR SWISS VIEWS ON THE RELATIONSHIP BETWEEN THE WORK IN THE PRODUCT SUBGROUPS (DAIRY IN PARTICULAR) AND THE WORK IN FUNCTIONAL GROUPS ON VARIOUS CODES. SWISS DEL REPLIED, THAT AS CONCERNS SAFEGUARDS AND STANDARDS SWITZERLAND SAW NO REASON FOR SPECIAL RULES WITHIN THE MEAT AND DAIRY ARRANGEMENTS. ON THE OTHER HAND, HE NOTED THAT ARRANGEMENTS CONTAINING MINIMUM PRICES WOULD EFFECTIVELY DEAL WITH THE SUBSIDY ISSUE AND SUGGESTED THAT THIS APPROACH MIGHT ALSO BE AN APPROPRIATE TECHNIQUE TO MAKE CONCERTED DISCIPLINES IN CHEESE PLURILATERAL. HE ADDED THAT SWITZERLAND WAS LOOKING FOR COMPETITION IN CHEESE TRADE TO BE "BASED ON QUALITY NOT PRICE". SWITZERLAND'S POSITION ON THE APPLICABILITY OF LIMITED OFFICIAL USE

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PAGE 04 GENEVA 06868 01 OF 04 051823Z

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PAGE 01 GENEVA 06868 02 OF 04 051824Z
ACTION STR-07

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LIMITED OFFICIAL USE SECTION 02 OF 04 GENEVA 06868

USMTN

ACTION STR
PASS AGRICULTURE
STR PASS CODEL

THE STANDARDS CODE TO AGRICULTURE SEEMS TO BE IDENTICAL WITH THAT OF THE U.S. DUNKEL NOTED THAT IN ALL INTERNAL DELIBERATIONS ON THE CODE IT WAS ALWAYS ASSUMED THAT AGRICULTURE WAS COVERED.

5. US REQUESTS BY PRODUCT SECTOR:

A. LIVESTOCK AND MEAT.

1) LICENSING ON LIVE ANIMALS: SWISS DEL STATED THAT THE LICENSING REQUIREMENT IS NECESSARY FOR CONTROL OVER PURITY OF STOCK BUT AGREED TO LOOK INTO THE POSSIBILITY OF ACCEPTING "ORIGIN CERTIFICATE" INSTEAD.

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PAGE 02 GENEVA 06868 02 OF 04 051824Z

2) LEVIES: THE LEVIES APPLIED TO LIVE ANIMALS AND MEATS ARE NOT, ACCORDING TO SWISS DEL, VARIABLE LEVIES. HE SAID THAT THE PURPOSE OF THE LEVY IS TO PROVIDE FUNDS FOR THE ORGANIZATION OF THE INTERNAL MEAT MARKET AND NOT TO MAKE UP THE DIFFERENCE BETWEEN INTERNAL AND WORLD PRICES. SWISS DEL NOTED THAT MARKET ORGANIZATION INCLUDES A TIGHT CONTROL OVER THE 85-90 PERCENT SELF-SUFFICIENCY RATIO FOR BEEF. HE ADDED THAT THE INCIDENCE OF THE LEVIES IS LOW, GENERALLY AROUND 1 PERCENT, AND THAT LEVIES OFTEN DO NOT CHANGE FOR SEVERAL YEARS.

3) TARIFFS: APPLICATION OF THE SWISS TARIFF FORMULA RESULTS IN THE FOLLOWING SWISS OFFERS: 0102.22 - APPROX. 20 PERCENT REDUCTION OF 60 FR/HD DUTY (1976 AVE IS 3.6 PERCENT); 0103.16 - APPROX. 35 PERCENT REDUCTION OF 40 FR/HD DUTY (1976 AVE IS 7.2 PERCENT); 0201.20 - APPROX. 17 PERCENT REDUCTION OF 35 FR/100 KG CEILING DUTY (AVE EQUALS 3.0 PERCENT) AND POSSIBLY A 10 PERCENT REDUCTION OF THE 10 FR/100 KG APPLIED RATE; 0201.22 - APPROX 33 PERCENT REDUCTION OF 40 FR/100 KG CEILING DUTY (AVE EQUALS 7.0 PERCENT) AND POSSIBLY A 10 PERCENT REDUCTION OF TH 10 FR/100 KG APPLIED RATE; 0201.50 - APPROX. 30 PERCENT REDUCTION OF 40 FR/100 KG CEILING DUTY (AVE EQUALS 6.8 PERCENT) AND POSSIBLY A 10 PERCENT REDUCTION OF THE 10 FR/100 KG APPLIED RATE. THE APPLIED 10 FR/100 KG DUTIES ON THE THREE PREVIOUS ITEMS HAVE BEEN IN EFFECT SINCE 1959, ARE NOT BOUND, AND ACCORDING TO THE SWISS WILL PROBABLY REMAIN UNBOUND DESPITE THE POSSIBLE OFFER TO REDUCE. THE SWISS DID NOT OFFER A DUTY REDUCTION ON POULTRY LIVER (0203.01) BECAUSE THE DUTY IS THE "ONLY PROTECTION" FOR THE ITEM AND BECAUSE THE EC IS THE PRINCIPAL SUPPLIER.

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PAGE 03 GENEVA 06868 02 OF 04 051824Z

4) HOTEL QUOTA: AMB DUNKEL CONSIDERED SWITZERLAND'S OFFER TO INCREASE THE SPECIAL QUOTA FOR U.S. HIGH QUALITY BEEF BY 50 PERCENT TO BE A MAJOR BUT HARD-WON VICTORY FOR HIM PERSONALLY. HE EXPRESSED SKEPTICISM THAT THIS OFFER COULD BE IMPROVED BUT DID NOT RULE OUT THE POSSIBILITY OF AN "EXCHANGE OF LETTERS" AT SOME POINT CONTAINING LANGUAGE ABOUT FUTURE INCREASES IN THE QUOTA. DUNKEL WAS, THEREFORE, APPRECIATIVE OF THE FACT THAT THE U.S. HAD INDICATED AN INTEREST IN SOME TYPE OF GROWTH FACTOR APPROACH. THE QUESTION OF SECURITY OF THE SWISS COMMITMENT WAS OPEN, HE SAID, BUT WOULD NECESSARILY BE TIED TO U.S. ACTIONS ON CHEESE.

B. VEGETABLES. SWISS DEL EXPLAINED THAT ITS FORMULA OFFER ON ICEBERG LETTUCE WOULD MEAN A REDUCTION IN THE DUTY OF 30 PERCENT FROM 10 TO 7 FR/100 KG (THE AVE IS 5.9 PERCENT). HE SUGGESTED THAT ALTHOUGH THE PROSPECTIVE WAS NOT GOOD FOR A FURTHER CUT SWITZERLAND WOULD NOT REFUSE TO DISCUSS IT AT A LATER STAGE. AS REGARDS THE QUOTA, THE SWISS DEL POINTED OUT THAT IT IS REALLY A THREE PHASE SYSTEM HAVING OPEN, QUOTA, AND CLOSED PERIODS. WHILE SWITZERLAND WOULD NOT BE WILLING TO ELIMINATE THE SYSTEM, IT WOULD BE WILLING TO DISCUSS ESTABLISHING A FIXED OPENING DATE IF THE US FELT THAT THAT WOULD BE OF INTEREST. HE CAUTIONED, HOWEVER, THAT IN ORDER TO BIND THE OPENING DATE IT MIGHT BE NECESSARY TO FIX IT MUCH LATER THAN IT IS NORMALLY SET EACH YEAR. IT WAS POINTED OUT THAT ANOTHER POSSIBILITY WOULD BE TO AGREE ON A FIXED DATE FOR THE ANNOUNCEMENT OF THE OPENING DATE. FOR DRIED PEAS (0705.12) SWITZERLAND DID NOT MAKE AN OFFER BECAUSE THE EC IS PRINCIPAL SUPPLIER. SWISS DEL DREW ATTENTION TO FACT THAT THE QUOTA APPLIES ONLY TO PEAS FOR ANIMAL CONSUMPTION. THE SWISS MET THE US REQUEST FOR DUTY-FREE TREATMENT ON ONE "OTHER DRIED VEGETABLE" CATEGORY (07.05.14) WHERE U.S. IS PRINCIPAL SUPPLIER, BUT NOT ON THE OTHER (07.05.20) WHERE THE EC IS PRINCIPAL

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PAGE 04 GENEVA 06868 02 OF 04 051824Z

SUPPLIER. THE SWISS OFFER ON CANNED CORN (2107.20) IS FOR A REDUCTION OF THE "FIXED ELEMENT" (13 FR/100 KG) OF THE 25 FR/100 KG DUTY; THE FIXED ELEMENT IS DESIGNED TO PROTECT THE PROCESSING INDUSTRY. ON THE OTHER HAND, THE SWISS DEL INDICATED THAT THE "VARIABLE" ELEMENT (FOR FARM PROTECTION) WOULD NOT BE NEGOTIATED, NOR WOULD

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PAGE 01 GENEVA 06868 03 OF 04 051839Z
ACTION STR-07

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LIMITED OFFICIAL USE SECTION 03 OF 04 GENEVA 06868

USMTN

ACTION STR
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STR PASS CODEL

THE 25 FR/100 KG CEILING BINDING. U.S. DEL REMARKED
THAT THIS OFFER WAS REALLY NO OFFER AT ALL SINCE, WITH-
OUT A REDUCTION IN THE CEILING DUTY, A REDUCTION IN THE
FIXED ELEMENT COULD BE OFFSET BY INCREASES IN THE VARIABLE
ELEMENT. SWISS DEL ACKNOWLEDGED THIS BUT SAID THE
PROBLEM WAS UNFORTUNATE NECESSITY OF HAVING TO ADOPT
A SYSTEM SIMILAR TO THE EC'S FOR PROCESSED PRODUCTS.
HE SUGGESTED THAT SWISS EFFORTS MIGHT DEPEND ON WHAT THE
EC DOES IN THIS AREA.

C. FRUITS, NUTS AND PRODUCTS. NO OFFER WAS MADE ON
FRESH TABLE GRAPES (0804.10) BECAUSE 1) THE U.S. IS NOT
PRINCIPAL SUPPLIER, AND 2) THE ONLY IMPORT PROTECTION IS
THE DUTY (11.5 PERCENT AVE). THE SWISS FORMULA OFFER ON
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PAGE 02 GENEVA 06868 03 OF 04 051839Z

ALMONDS (0805.10) WOULD MEAN A REDUCTION OF APPROXIMATELY 10 PERCENT (1976 AVE OF 12 FR DUTY IS 2.2 PERCENT). U.S. DEL STRESSED IMPORTANCE OF A DEEPER CUT ON THIS PRODUCT PARTICULARLY IN LIGHT OF DISCRIMINATION AGAINST U.S. PRODUCT BECAUSE OF GSP. FOR DRIED PLUMS (EX 0812.08), SWISS DEL NOTED THAT THE CURRENT DUTY IS ONLY 1.6 PERCENT AVE AND IS THE ONLY IMPORT PROTECTION. WHILE HE WASN'T SURE WHETHER AN OFFER COULD BE MADE, HE DOUBTED A DUTY REDUCTION WOULD MUCH BENEFIT U.S. TRADE. FOR CANNED FRUIT COCKTAIL (2006.24) AND CANNED PEACHES (EX 2006.30) THE SWISS RESPONSE WAS THE SAME: THE PRODUCTS ARE TOO SENSITIVE TO MAKE OFFERS. SWISS DEL SAID THAT RECENT EFFORTS BY PRODUCERS TO INCREASE THE DUTIES ON FRUITS WERE BEATEN BACK BY THE GOVERNMENT AND THAT THIS SHOULD BE CONSIDERED A VICTORY. THUS HE MAINTAINED THAT IT WOULD NOT BE POSSIBLE TO RESPOND TO THE U.S. REQUESTS AS THEY NOW STAND. ALTHOUGH HE HINTED THAT SWITZERLAND WOULD BE WILLING TO LOOK AT ALTERNATIVE OR "MORE REFINED" REQUESTS ON THOSE CATEGORIES (E.G. FRUIT COCKTAIL NOT CONTAINING SENSITIVE FRUITS), HE EXPRESSED SKEPTICISM THAT SUCH EFFORTS WOULD MAKE MUCH DIFFERENCE. FOR LEMON JUICE (2007.42), THE SWISS NOTED THAT THE EC WOULD BE THE PRINCIPAL BENEFICIARY OF A TARIFF CUT. SWISS DEL INDICATED THAT A TARIFF OFFER WAS "NOT HOPELESS" BUT WOULD BE DIFFICULT BECAUSE OF THE EC SUPPLIER POSITION.

D. RICE AND SPECIALTY FLOUR. SWISS DEL OBSERVED THAT THE LEVY AND QUOTA REQUESTED BY THE U.S. APPLY ONLY TO RICE FOR FEED. RICE FOR HUMAN CONSUMPTION IS SUBJECT ONLY TO DUTIES (0.7 PERCENT AVE ON 1006.10 AND 4.3 PERCENT AVE ON 1006.12). NO OFFER WAS MADE ON THE FIRST ITEM BUT A FORMULA OFFER WAS MADE ON 1006.12, WHICH WOULD RESULT IN A LOWERING OF THE 4.5 FR/100 KG DUTY TO ABOUT 3 FR. LIMITED OFFICIAL USE

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PAGE 03 GENEVA 06868 03 OF 04 051839Z

FOR SPECIALTY FLOUR, SWISS DEL STATED THAT IT WOULD ONLY CONSIDER AN OFFER IF ADDITIONAL TECHNICAL INFORMATION IS PROVIDED CONCERNING THE DEFINITION OF THE PRODUCT.

E. OILSEEDS AND PRODUCTS. FOR SOYBEANS (EX 1201.50) SWISS DEL EXPLAINED THAT THE AVE OF THE DUTY IN 1976 WAS 0.15 PERCENT, THE LEVY IS APPLIED TO MAINTAIN RELATIONSHIP BETWEEN VEGETABLE AND ANIMAL OILS (BUTTER), AND LICENSING IS ONLY USED TO CONTROL COLLECTION OF THE LEVY. HE ASSERTED THAT THESE BARRIERS ARE MODEST AND, THEREFORE, COULD NOT BE CHANGED. SWISS DEL DID NOT RULE OUT A CONCESSION ON VEGETABLE PROTEIN CONCENTRATES (EX 2107.40) BUT INDICATED THAT ADDITIONAL INFORMATION WOULD BE NECESSARY TO IDENTIFY THE PRODUCTS FOR IMPORT

CLASSIFICATION. SWITZERLAND WILL STUDY WRITTEN DESCRIPTION OF PRODUCTS PROVIDED BY US DEL. SWISS DEL HELD THAT NO OFFER IS POSSIBLE ON SOYBEAN MEAL (EX 2304.01) BECAUSE IT IS TIED TO SWITZERLAND'S DOMESTIC SUPPORT SYSTEM FOR FEEDGRAINS AS WELL AS TO CONTROL OF ANIMAL PRODUCTION.

F. PET FOOD (2307.18). SWISS DEL EXPLAINED THAT LICENSING REQUIREMENT APPLIES ONLY TO PET FOOD CONTAINING MILK POWDER. HE ADDED THAT THE EC IS FIRST SUPPLIER AND, THEREFORE, THE ONLY WAY SWITZERLAND COULD MAKE AN OFFER WOULD BE BY CREATING A SEPARATE TARIFF HEADING FOR PRODUCTS OF PARTICULAR INTEREST TO THE U.S.

G. TOBACCO. SWISS DEL POINTED OUT THAT THE ZERO DUTY ON UNMANUFACTURED TOBACCO IS LINKED (FOR REASONS UNCLEAR TO US) TO SWITZERLAND'S OLD-AGE PENSION LAW. HE ASKED WHETHER A GATT BINDING IS NECESSARY GIVEN FACT THAT ZERO DUTY IS LEGISLATED AND TO RAISE THE DUTY MODIFICATION OF THE LAW WOULD BE REQUIRED. HE ADDED THAT A GATT BINDING WOULD, THEREFORE, HAVE IMPLICATIONS FOR SWITZERLAND IN TERMS OF DOMESTIC LEGISLATION. FOR MANUFACTURED LIMITED OFFICIAL USE

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PAGE 04 GENEVA 06868 03 OF 04 051839Z

TOBACCO, SWISS DEL SAID THAT INTERNAL REVIEW WAS STILL GOING ON BUT THAT A RESPONSE WOULD BE FORTHCOMING IN NEAR FUTURE. HE COULD NOT INDICATE WHAT THAT RESPONSE MIGHT BE.

6. SWISS REQUESTS. SWISS DEL ADMITTED THAT SEVERAL OF THE REQUESTS IT ADDRESSED TO THE U.S. WERE PROBABLY "OBSOLETE" IN TERMS OF US MEASURES ACTING AS BARRIERS TO SWISS TRADE, AND AGREED WITH AG ATTACHE WALTERS THAT AN EXCELLENT COOPERATIVE SPIRIT PREVAILED BETWEEN U.S.

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PAGE 01 GENEVA 06868 04 OF 04 051839Z

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AND SWISS OFFICIALS ON HEALTH AND SANITARY QUESTIONS. HE HINTED THAT CERTAIN REQUESTS WERE MADE FOR COSMETIC REASONS AND SUGGESTED THAT LANGUAGE COULD BE FOUND AT END OF MTN WHICH WOULD SATISFY SWISS DOMESTIC INTERESTS THAT US IS COOPERATING IN SEARCH FOR SOLUTIONS TO PROBLEMS. IN THIS CONTEXT, SWITZERLAND WAS NOT ABLE TO PINPOINT SPECIFIC DIFFICULTIES WITH REGARD TO CATTLE FOR BREEDING, JAMBON CRU, VIANDE SECHEE, AND WINE. SWITZERLAND EXPRESSED CONCERN ABOUT U.S. POSITION ON CHOCOLATE CONTAINING ALCOHOL BUT DID NOT INDICATE IT WOULD PRESS FOR CHANGE IN US LEGISLATION. SWISS DEL ALSO EXPRESSED APPRECIATION OF US RESPONSE ON FINAL LIST AND FACT THAT ACTUAL EFFECT ON PRODUCTS REQUESTED IS ALMOST NIL. SWISS DEL STRESSED THAT THE MAIN EXPORT CONCERN FOR SWITZERLAND IS CHEESE AND SUGGESTED THAT SWISS PROBLEMS WOULD BE RESOLVED BY US APPLICATION OF AN INJURY TEST FOR COUNTERVAILING DUTIES. HE REMARKED THAT A SOLUTION TO SUBSIDY/CVD ISSUE FOR CHEESE MIGHT TAKE FORM OF A MINIMUM PRICE AGREEMENT. HE ADDED, HOWEVER, THAT SWITZERLAND IS NOT INTERESTED IN EXPANDING ITS MARKETS FOR CHEESE

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PAGE 02 GENEVA 06868 04 OF 04 051839Z

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